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Montana's State Park System

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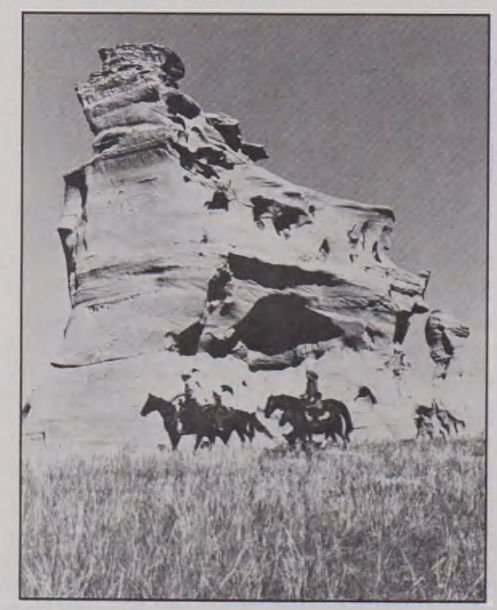
Montana State Park System Visitor Study

By Paul E. Polzin
Tat P. Fong



Montana's natural environment provides ample opportunities for outdoor activities. The Montana State Park System, which is administered by the Montana Department of Fish, Wildlife and Parks (DFWP), consists of sixty natural, cultural, and recreation parks located throughout the state. In addition, the DFWP maintains more than 250 fishing access sites. Each year, the state's parks and fishing access sites attract a considerable number of recreationists and tourists—in 1986, the parks attracted about 4.8 million visitors, according to DFWP estimates.

In 1988, the University of Montana Bureau of Business and Economic Research conducted a DFWP-sponsored survey of state park and fishing access site visitors to determine their activities, their attitudes and preferences concerning existing and future facilities, and the expenditures associated with their visit. Those surveyed included both Montanans and out-of-state visitors. The information obtained from the survey was used to estimate the total nonresident expenditures in Montana, and the amount of labor income and the number of jobs attributable to spending by nonresidents.

The survey collected information concerning demographic characteristics, facility preference, and spending patterns of park visitors. As a result, the report describes the "typical" visitor to the various types of parks, including fishing access sites; cultural parks, such as Fort Owen and Bannack; natural parks, such as Makoshika and Wild Horse Island; and recreation parks, such as Placid Lake and Holter Lake.

Waterfall plummets 70 feet into canyon at Natural Bridge State Monument near McLeod. Left: Medicine Rocks State Park near Ekalaka.

"Each year, the state's parks attract a considerable number of recreationists and tourists — in 1986, the parks attracted about 4.8 million visitors."

Makoshika State Park near Glendive. All photos courtesy of: Montana Promotion Bureau, Helena, MT 59620

Nonresident expenditures are part of Montana's travel and tourism industry and a component of the state's economic base. These visitors bring new funds into the state, which provide income and employment for Montanans working in the nonresident travel industry. Visitors have many reasons for coming to Montana. The findings of this report suggest that while some may be drawn to Montana for its recreational opportunities, others visit state parks and fishing access sites as an incidental part of their trip. Whatever the reason for visiting in 1988, nonresident visitors spent an estimated $64.2 million in adjacent communities and $29.2 million elsewhere in Montana, for a total of $93.4 million. This translates into about $23.4 million in direct labor income and 2,123 full- and part-time jobs in the nonresident travel and tourism industry.

Profile of Visitors

This section presents the survey results of both residents and nonresidents who visited Montana's state parks and fishing access sites during the 1988 season. One survey objective was to obtain information that can be used to describe typical visitor characteristics. Details of visitors' age, education, income, participation in outdoor activities, experiences at the various locales in Montana, expenditure patterns, and so on, are important for park management. Decision makers may use this information to improve the services and facilities, and to develop marketing strategies.

Personal Characteristics

By Visitor Residence. We will first examine the personal characteristics of the survey respondents, particularly their age, education, and income, to determine how Montanans and out-of-state residents differ. These data are summarized in table 1. For comparison, the corresponding information for all Montana adults is also included.

> **"Respondents cited restrooms and water supply availability as items most needing improvement."**

For the most part, individuals who visited the state parks and fishing access sites tended to be slightly younger than the average Montanan in age. About 44 percent of Montana adults are between age twenty-five and forty-four. By contrast, 60 percent of the resident visitors and 50 percent of nonresident visitors were in this age category.

Resident visitors paralleled the state's adult population in education and income. Sixty percent of them said they have at least some college education, and 34 percent of them reported household incomes of $35,000 or more. Nonresident visitors tended to fall in the higher education and income categories. Compared to all Montanans, a larger proportion of the nonresident visitors attended or graduated from college (72 percent), or had incomes of more than $35,000 (54 percent).

Table 1

Selected Personal Characteristics
Montana Residents and Survey Respondents
1988
(Percent)

	All Montana Adults	*— Survey Respondents —* *Montana Residents*	*Non-residents*
Age distribution:			
18 - 24	15	5	4
25 - 34	25	28	24
35 - 44	19	32	26
45 - 54	13	12	19
55 and older	28	23	27
Highest level of education:			
Some high school or less	15	7	8
High school graduate	29	33	20
Some college	31	29	30
College graduate	25	31	42
Household income:			
Under $15,000	28	13	8
$15,000 - $34,999	43	53	38
$35,000 or more	29	34	54

Sources: University of Montana, Bureau of Business and Economic Research, Survey of Resident and Nonresident Park Visitors, unpublished data (Missoula, MT, 1988). The *Great Falls Tribune* and the University of Montana, Bureau of Business and Economic Research, the Montana Poll, unpublished data (Missoula, MT, 1988). U.S. Department of Commerce, Bureau of the Census, State Population and Household Estimates with Age, Sex and Components of Change: 1981-86, Current Population Reports, Series P-25, No. 1010 (Washington, D.C., 1987).

By Park Category. As mentioned earlier, this study focused on visitors to Montana's cultural, natural, and recreation parks. Each of these three state park categories, as well as the fishing access sites maintained by the DFWP, have unique features that attract different types of visitors.

Cultural park visitors were generally older than visitors to natural parks, recreation parks, or fishing access sites (the average age was about fifty for residents and about forty-nine for nonresidents). The average ages of all other groups of visitors were less, ranging from thirty-nine for resident visitors to natural parks to forty-four for nonresident visitors to fishing access sites.

There are no significant differences between park categories in terms of the education levels of resident visitors; roughly 60 percent of all the Montanans visiting natural, cultural, or recreation parks reported at least some college education. For nonresidents, however, there were differences in educational attainment between categories: cultural parks rated first with 81 percent reporting some college education, while the corresponding figures were 70 percent for natural parks and 60 percent for recreation parks.

There were notable differences between resident and nonresident visitors to fishing access sites. Montanans visiting the state's fishing sites were less likely to have some college education or have household incomes of $35,000 or more than were Montanans visiting the other types of parks. In contrast, significantly more nonresident visitors to Montana's fishing sites reported higher income and education levels than resident fishing site visitors. In addition, more out-of-state fishing site visitors reported higher incomes and education levels than was the case for nonresident visitors to Montana's other parks. Since both resident and nonresident fishing site visitors were similar in age, differences in income and education levels suggest that fishing is casual recreation for a cross-section of Montanans, but an "upscale" sport for out-of-state visitors.

Visitation Characteristics

Additional visitation characteristics, such as the proportions of residents and nonresidents visiting each site, the average trip length, and the size of the visiting party, are presented in table 2.

Most visitors to recreation parks and fishing access sites were Montana residents; they outnumbered nonresidents by a margin of three-to-one in the recreation parks and two-to-one in the fishing access sites. For the cultural and natural parks, the proportions of resident and nonresident visitors were about even.

Due to travel distances and the nature of Montana's state parks and fishing access sites, a visit to these destinations may include an overnight stay in surrounding local areas. The survey asked respondents to identify separately the number of days they spent at the actual park and in the local area. The total number of days visitors spent at or near their final destinations is the sum of these two components. In all categories, nonresident visitors spent more total days than resident visitors. For both resident and nonresident visitors, the longest visits were at recreation parks and fishing access sites.

With the exception of recreation parks, nonresidents generally spent more days in the local areas than at the actual park. For example, on visits to cultural and natural parks,

Table 2

Selected Visitation Characteristics
Montana State Parks and Fishing Access Sites
1988

	Park System			Fishing Access Sites
	Cultural Parks	Natural Parks	Recreation Parks	
Residents				
Percent of total visitors	45%	52%	75%	68%
Days spent:	2.5	1.8	5.0	4.8
At site	1.6	0.8	4.3	1.7
In local area	0.9	1.0	0.7	3.1
Group size (persons)	3.2	4.0	4.2	3.1
Nonresidents				
Percent of total visitors	55%	48%	25%	32%
Days spent:	4.4	4.2	5.8	6.6
At site	1.1	0.9	3.1	2.9
In local area	3.3	3.3	2.7	3.7
Group size (persons)	3.1	3.5	4.3	3.1

Source: University of Montana, Bureau of Business and Economic Research, Survey of Resident and Nonresident Park Visitors, unpublished data (Missoula, MT, 1988).

more than 75 percent of their time was spent in the local areas. On visits to fishing access sites and recreation parks, it was 56 and 47 percent, respectively. Even residents spent more than half of their time in the local areas when they visited natural parks and fishing access sites. Curiously, the local areas did not attract as many residents who visited cultural and recreation parks, averaging only 36 and 14 percent, respectively. The last observation notwithstanding, the proportion of the total time spent by visitors in adjacent areas underscores the significance of Montana's state parks and fishing access sites to tourist-related businesses in the nearby communities.

Visiting state parks and fishing access sites is typically a group activity. Average group size for resident and nonresident parties was three to four persons.

Recreation Activities

The survey respondents were asked to identify their recreation activities at the park or in the local areas. Table 3 presents the findings for each park category and for fishing access sites. Recreation activities are reported in terms of the percentage of respondents mentioning each activity for each park category. This measure allows the reporting of more than one activity per visit. Preliminary analysis revealed that resident and nonresident visitors engaged in similar types of recreation activities. Their responses were combined and the results were adjusted to correct for the unequal sampling of residents and nonresidents.

The recreation activities reported by respondents were strongly related to the type of park visited. Further, the patterns of activities at cultural parks were similar to those at natural parks, while activities at recreation parks were similar to those at fishing access sites. For example, the three most frequently mentioned activities at cultural and natural parks were sightseeing, visiting scenic or historic attractions, and driving for pleasure. For recreation parks and fishing access sites, the similarity was not quite as striking, but the most frequently mentioned activities at both types included fishing, camping, and sightseeing.

The responses also suggest that visitors engage in a variety of different activities at the parks. For example, while fishing was naturally the most frequently reported activity at fishing access sites, it was mentioned by only 34 percent of the visitors. In other words, about two-thirds of the visitors to fishing access sites were doing something else, such as camping, day hiking, or nature study.

Among all activities, sightseeing was the only item ranked consistently in the top four by all visitors. Bicycling, driving off-road vehicles or motorcycles, and backpacking were among the

Table 3

Visitors' Recreation Activities
Montana State Parks and Fishing Access Sites
1988
(Percent Mentioning)

	Park System			Fishing
	Cultural Parks	*Natural Parks*	*Recreation Parks*	*Access Sites*
Overnight camping	15	10	29	17
Fishing	6	6	26	34
Swimming	4	6	24	11
Sightseeing	57	49	23	23
Motorboating, waterskiing	1	3	22	2
Day camping, picnicking	18	19	19	17
Driving for pleasure	41	29	18	18
Walking for pleasure, day hiking	29	23	18	15
Sailing, windsurfing; floating, rafting, canoeing, etc.	1	4	14	12
Visiting friends or relatives, reunions	14	12	14	12
Dining for pleasure, shopping	16	15	11	9
Others	4	8	9	11
Nature study, bird watching, etc.	11	13	8	9
Visiting scenic or historic sites, areas, or attractions; museums; etc.	52	38	8	13
Bicycling	1	1	5	3
Entertainment activities; going to outdoor performances or special events (fairs, festivals, ceremonies); etc.	8	4	3	3
Driving off-road vehicles or motorcycles	0	1	3	3
Backpacking	0	1	1	2

Notes: Adjusted to correct for unequal sampling of resident and nonresident visitors. Survey respondents could select more than one item.

Source: University of Montana, Bureau of Business and Economic Research, Survey of Resident and Nonresident Park Visitors, unpublished data (Missoula, MT, 1988).

recreation activities least mentioned by visitors to Montana's state parks and fishing access sites.

Opinions and Preferences

The survey respondents were asked to indicate the features and services they thought were important for their enjoyment at the park visited. They also indicated which facilities needed improvement. The findings are summarized in tables 4 and 5. Preliminary analysis, once again, revealed that the responses by resident visitors were not notably different from those of nonresident visitors. The findings reported in tables 4 and 5 have been adjusted for the unequal sampling of residents and nonresidents.

There are significant differences between park categories in terms of features and services which the respondents considered important. The two most frequently mentioned items at recreation parks and fishing access sites, for example, were river and lake accessibility and overnight camping availability. On the other hand, paved roads and flush toilets were mentioned most often by natural park visitors, while the availability of water supply and picnic sites were important to most cultural park visitors.

The facilities which the respondents mentioned as needing improvement were clearly related to the type of park they visited. Once again, visitors to recreation parks and fishing access sites shared similar opinions; they considered improvements in restrooms, water supply, picnic tables, and roads as their top priorities. Cultural park visitors said information signs and the availability of other information needed improvement. In all park categories, respondents cited restrooms and water supply availability as items most needing improvement.

The overall level of responses varied between park categories. Recreation parks, for example, had nine items needing improvement that were mentioned by 10 percent or more of the respondents. Natural parks, on the other hand, had only two items mentioned by 10 percent of the respondents.

Table 4

Features and Services Important to Visitors
Montana State Parks and Fishing Access Sites
1988
(Percent Mentioning)

	Park System			Fishing Access Sites
	Cultural Parks	Natural Parks	Recreation Parks	
Access to rivers, lakes, etc.	13	19	84	80
Overnight camping	20	15	70	43
Boat ramp and/or dock	1	2	43	10
Water supply	32	32	37	22
Picnicking	24	29	36	28
Designated camping/picnic sites	24	16	34	20
Flush toilets	18	35	23	11
Paved roads and parking areas	18	45	17	12
No development in area	16	16	11	18
RV dump stations	4	3	7	3
Central wash basins	5	6	6	2
Central showers	3	3	3	4

Notes: Adjusted to correct for unequal sampling of resident and nonresident visitors. Survey respondents could select more than one item.

Source: University of Montana, Bureau of Business and Economic Research, Survey of Resident and Nonresident Park Visitors, unpublished data (Missoula, MT, 1988).

Expenditure Patterns

Survey respondents were asked to identify three types of expenditures associated with their most recent trip to a state park or fishing access site in Montana: (a) the amount they spent at the final destination, including the immediate local area; (b) the amount they spent while traveling to and from the final destination; and (c) the amount incurred while they prepared for the trip or paid upon return. These and other survey results on visitation characteristics were used to derive estimates of resident and nonresident visitor expenditures, both in the areas adjacent to the actual parks and elsewhere in Montana.

In Adjacent Areas. Visitor expenditures in the areas adjacent to Montana's parks are summarized in table 6. The amount reported for each item was the average for all resident or nonresident visitors, and therefore does not represent the price actually paid for a particular item.

Resident visitors spent an average of about $7.90 per person per day in the adjacent area. About $1.60

of this was spent on food and groceries, which ranked first among all types of expenses. Lodging places, restaurants, and other eating and drinking places were tied for second; each averaged about $1 per person per day.

For nonresidents, the average daily total was about $21.20 per person. Compared to residents, they spent more on lodging ($4.50) and on visiting restaurants and other eating or drinking places ($3.40). Nonresidents also contributed more than residents to local businesses such as guide services and outfitters, food and grocery stores, and other retail stores at nearby communities.

Elsewhere in Montana. Details of other expenditures, related to visitors' trips to state parks and fishing access sites but spent elsewhere in Montana, are presented in table 7. For residents, these expenditures included the amount they spent while traveling to and from the final destination, as well as costs incurred while they prepared for the trip or paid upon return. For nonresidents, only expenses incurred on route while in Montana are presented.

Since the number of days visitors spent elsewhere in Montana was not available, the amount reported in table 7 is the average per person per trip. For expenditure items that might be independent of the number of trips, the amount reported could, in fact, be the season total—likely candidates include vehicle registrations and, to some extent, sporting equipment. As in the previous table, the average amount for each item may not reflect the price to buyers.

The amount spent by resident visitors was about $70.80, compared to $47.70 by nonresident visitors. The fact that residents outspent nonresidents on items such as food and groceries ($11.50 vs. $3.90), and oil and gas and vehicle services ($15.90 vs $13.30) suggests that resident visitors generally took longer road trips within Montana than out-of-state visitors.

Not unexpectedly, nonresidents paid very little on vehicle

Table 5

Facilities Visitors Said Need Improvements
Montana State Parks and Fishing Access Sites
1988
(Percent Mentioning)

	Park System			Fishing Access Sites
	Cultural Parks	Natural Parks	Recreation Parks	
Rest rooms	20	10	33	25
Water supply	18	10	31	30
Picnic tables	5	9	23	15
Roads	16	6	21	15
Beach	0	2	18	6
Shelters	5	4	16	7
Campground	1	5	15	6
Boat dock	0	2	12	0
Boat ramp	0	2	10	4
Parking	15	3	7	5
Signs and information	28	8	6	7
Picnic area	8	8	5	7
Trails	12	4	3	5
Interpretive displays	18	4	1	2

Notes: Adjusted to correct for unequal sampling of resident and nonresident visitors. Survey respondents could select more than one item.

Source: University of Montana, Bureau of Business and Economic Research, Survey of Resident and Nonresident Park Visitors, unpublished data (Missoula, MT, 1988).

Table 6
Visitor Expenditures in Adjacent Areas
Montana State Parks and Fishing Access Sites
Average Per Person Per Day
1988

	Montana Residents	Non-residents
Travel or tour "package"	$0.10	$ 0.30
Camping/admission fees and licenses for fishing, hunting, etc.	0.60	1.00
Vehicle registration and other fees	0.60	0.50
Lodging places	1.00	4.50
Restaurants and other eating or drinking places	1.10	3.40
Food, grocery, or convenience stores	1.60	2.70
Rentals of automobile, truck, or recreation vehicle	0.00	0.50
Gas and oil, repairs and services for automobiles or boats	0.80	2.00
Other transportation expenses (airfare, bus fare, etc., paid in Montana)	0.10	0.10
Guide services or outfitters	0.60	3.00
Sporting equipment and supplies stores	0.30	0.70
Other retail stores (apparel, gift shops, personal or business services, etc.)	0.70	2.90
Entertainment and other recreation places	0.40	0.60
Total per person per day expenditures	$7.90	$21.20

Note: Figures may not add to the total due to rounding.

Source: University of Montana, Bureau of Business and Economic Research, Survey of Resident and Nonresident Park Visitors, unpublished data (Missoula, MT, 1988).

registrations and other related fees. They spent relatively more than residents on vehicle rentals, other transportation expenses like airfare and bus fare, as well as entertainment.

Economic Impact

Montana's parks and fishing access sites attract Montanans, out-of-state recreationists, and tourists. Survey respondents included residents from nearly all fifty states, Canada, and other foreign countries. The amount which residents and nonresidents spent on their trips is a measure of the value they attach to the outdoor opportunities provided by state parks and fishing access sites. Expenditures by nonresident visitors, moreover, represent a component of Montana's economic base—these visitors bring into the state new funds that help create jobs and income, particularly in the travel and tourist industries.

As reported earlier in table 2, nonresident visitors generally spent more time in the local areas than at the actual parks, except for recreation parks. This finding suggests that while some of the nonresident visitors are drawn to Montana by outdoor activities, many may come to the state for other reasons, and their visits to state parks and fishing access sites may be incidental or motivated by the proximity of these areas to their destinations. In either case, their visits benefit businesses in nearby communities as they purchase food, lodging, and other items. This section provides an estimate of total nonresident expenditures in Montana and the impact on the regional economies, including direct labor income and employment attributable to out- of-state visitors.

Nonresident Visitation

The first step in calculating total nonresident expenditures was to determine the number of nonresidents visiting Montana's state parks and fishing access sites. Data from two different sources were used, one to estimate the total number of visitors and another to calculate the proportion of resident vs. nonresident visitors. The first source is the DFWP estimates of total visits to the various parks in each of the seven administrative regions. The latest available figures are for 1986; the annual total was about 4,875,000 visits. The second source is the address cards returned by visitors to the Bureau, which

Table 7

Visitor Expenditures Elsewhere in Montana
Montana State Parks and Fishing Access Sites
Average Per Person Per Trip
1988

	Montana Residents	*Non-residents*
Travel or tour "package"	$ 2.50	$ 2.50
Camping/admission fees and licenses for fishing, hunting, etc.	2.40	1.10
Vehicle registration and other fees	10.60	0.30
Lodging places	7.40	6.80
Restaurants and other eating or drinking places	5.20	6.20
Food, grocery, or convenience stores	11.50	3.90
Rentals of automobile, truck, or recreation vehicle	0.10	1.90
Gas and oil, repairs and services for automobiles or boats	15.90	13.30
Other transportation expenses (airfare, bus fare, etc., paid in Montana)	0.90	4.20
Guide services or outfitters	0.00	0.80
Sporting equipment and supplies stores	10.20	0.60
Other retail stores (apparel, gift shops, personal or business services, etc.)	3.90	3.90
Entertainment and other recreation places	0.20	2.30
Total per person per trip expenditures	$70.80	$47.70

Note: Figures may not add to the total due to rounding.

Source: University of Montana, Bureau of Business and Economic Research, Survey of Resident and Nonresident Park Visitors, unpublished data (Missoula, MT, 1988).

"Nonresident visitors brought in an estimated $64.2 million to the businesses near state parks and fishing access sites."

provide details about their place of residence. As a group, nonresidents accounted for about 32 percent of DFWP park and fishing site visitors.

Based on 1986 data, there were about 1,560,000 nonresident visits (4,875,000 *x* 32 percent = 1,560,000) to the state parks and fishing access sites. Nonresidents totaled about 1,022,000 visits to state parks and about 538,000 visits to fishing access sites.

From the survey, Bureau researchers found that nonresidents visiting state parks typically stayed about 2.4 days at the actual area. (The duration of stay varied between the three state park categories; see table 2 for details.) Given the lack of overnight accommodations at most parks and other visitation characteristics, it is assumed that nonresidents enter these areas once each day. This factor is used to convert visits into trips. When the estimated number of 1,022,000 visits to state parks is divided by 2.4, it yields a total of about 426,000 trips. Survey respondents who visited Montana's fishing access sites averaged about 2.9 days at the actual site (see table 2). Based on the estimated number of 538,000 visits, the number of trips made by nonresidents was about 186,000 (538,000 / 2.9 = 186,000).

Nonresident Expenditures

Total expenditures by nonresident visitors consist of two components: the amount they spent in the areas adjacent to the state parks and fishing access sites, and the amount they spent elsewhere in Montana. Each component is derived by multiplying the per trip spending by the total number of trips taken by nonresidents.

Table 6 indicates that nonresident visitors spent an average $21.20 per person per day in the adjacent areas. The number of days these visitors stayed at the actual parks and in the local areas varied between park categories (see table 2); the average for all parks was about 4.95 days. Based on these survey findings, the average amount nonresidents spent per trip in the adjacent areas was about $105 ($21.20 *x* 4.95 = $105). Visitors to state parks spent a total of about $44.7 million ($105 *x* 426,000 = $44.7 million) in 1988. The total amount spent by fishing access site visitors was about $19.5 million ($105 *x* 186,000 = $19.5 million). In other words, nonresident visitors brought in an estimated $64.2 million ($44.7 + $19.5 = $64.2) to the businesses near state parks and fishing access sites.

About the Survey

The findings presented in this report are based on surveys conducted in 1988 of state park and fishing access site visitors. The Montana DFWP provided a sample of twenty-two state parks and eight fishing access sites, representing all geographic areas of the state, for the Bureau to study.

Survey respondents were selected in two steps. First, DFWP employees distributed cards to park visitors on selected days from May 28 to September 5, 1988. Visitors were asked to provide their name and address, and list the outdoor activities important to them at the area. Completed visitor cards were forwarded to the Bureau.

Throughout the summer, the Bureau selected samples of resident and nonresident visitors

Elsewhere in Montana, nonresident visitors spent an average $47.70 per trip while traveling to and from state parks or fishing access sites (see table 7). Assuming that each nonresident made one trip to Montana in 1988, the total amount they spent was about $29.2 million ($47.70 *x* [426,000 + 186,000] = $29.2 million).

The two components of nonresident expenditures total about $93.4 million. Using the survey results on the expenditure patterns in adjacent areas and elsewhere in Montana, (see tables 6 and 7), we can estimate the distribution of nonresident expenditures. With the exception of the three travel- and transportation-related expenses (i.e., travel or tour "package," gas and oil and vehicle services, and other transportation expenses like airfare, bus fare, etc.), these figures show that nonresident expenditures were largely at businesses located in the areas adjacent to the state parks and fishing access sites.

Based on the statewide total, major recipients of the nonresident visitors' "tourist" money include lodging places ($17.8 million), restaurants and other eating or drinking places ($14.1 million), and gas and oil and vehicle services ($14.0 million).

Income and Employment Attributable to Nonresident Visitors

Only about 25 percent of the nonresident expenditures end up as direct labor income for Montanans. Direct labor income attributable to nonresident spending in Montana totaled about $23.4 million ($93.4 x 25 percent).

Alternatively, the economic impact of nonresidents visiting the state parks and fishing access sites can be expressed in terms of the number of jobs supported by nonresident spending in the state. Using an estimated average annual income of $11,000 for individuals working in the nonresident travel and tourism industry, the amount of direct labor income derived above translates into about 2,123 full- and part-time jobs in the nonresident travel and tourism industry. □

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from the completed cards and mailed them questionnaires. If the Bureau didn't receive the completed questionnaire in a specified time, they sent the visitors a second questionnaire and a reminder. Copies of the visitor cards and the questionnaire are available upon request from the Bureau.

To achieve greater survey reliability, residents and nonresidents were sampled at different rates. That is, proportionately more nonresidents were sent questionnaires than were residents. In some tables, which combine the responses of residents and nonresidents, the results have been adjusted to account for the unequal sampling rates.

The Bureau mailed a total of 673 questionnaires to Montana resident park visitors. Fifty-three percent (354) completed and returned the surveys. The Bureau mailed 722 questionnaires to nonresidents; 438 responded, for a response rate of 61 percent.

"Downhill skiing, photography, and visiting historical sites were the most popular recreational activities among nonresident visitors."

Profiling Montana's Out-of-State Visitors

By Shannon H. Jahrig

A recent nonresident travel study by the University of Montana Institute for Tourism and Recreation Research profiles the characteristics of visitors to Montana. The Montana Travel Survey is designed to assess the economic impact of resident and nonresident travel in Montana.

Travel survey data also include demographic characteristics of Montana's nonresident visitors, enabling a profile of the "typical" Montana visitor. While the Montana Travel Survey is representative of all nonresident visitors, the latest findings are similar to Bureau of Business and Economic Research findings for nonresident visitors to Montana's state park system.

The latest data are from the fourth quarter, 1988. Between October 1 and December 31, the Institute randomly distributed diaries to 1,247 nonresident visitors entering Montana via highway and airport; about half of them were returned. According to the survey results, airport travelers were generally between ages thirty-one and forty, had college degrees, professional occupations, and annual incomes of $40,000-$50,000. Typically, highway travelers were between ages fifty-one and sixty-four, had some college education, were retired, and had annual incomes of about $30,000. Almost 90 percent of both groups said they had been to Montana previously and were returning either to visit family or friends, for business reasons, or to vacation. Most of these out-of-state visitors come from the Mountain states, followed by the Pacific coast and North-central states.

The survey also made the following comparisons:

—Airport Travelers—

- Travel alone or with one other person, usually a family member, with no children.
- Stay in Montana about 6.9 nights, with five of those nights at homes of family and friends, and just over one night in hotels.
- Spend about $84 daily per airport party in restaurants, bars, hotels, and on retail goods and miscellaneous expenses.
- Spend about $646 per party on each visit to Montana.

—Highway Travelers—

- Travel in family groups of two, with children along 13 percent of the time.
- Stay in Montana an average of 3.37 nights, with 1.4 nights in a hotel, 1.4 nights in with family or friends, and less than one night in a campground.
- Spend about $64 daily per highway party on gasoline, hotel or motel lodging, restaurants and bars, and other miscellaneous expenses.
- Spend about $266 per party on each visit to Montana.

Of the nonresident visitors who came to Montana for vacation or recreation, about one-third indicated that scenery was an important reason for their visit. Downhill skiing and photography were the most popular recreational activities among airport travelers, while photography and visiting historical sites were most popular among highway travelers.

In addition to the Montana Travel Survey, the University of Montana Institute for Tourism and Recreation Research conducts a variety of other travel, recreation, and tourism research. The Montana University System Board of Regents created the Institute in June 1987 to serve as a research arm for the state's tourism and recreation industry. Funding comes from a portion of the revenues from the state tax on use of overnight accommodations and from cooperative agreements or contracts.

Some of the Institute's other research includes:

1) *Effectiveness of the 1987 Montana-Alberta Advertising Campaign*, Research Report 1, February 1988.
2) *An Analysis of the State of Montana's Television Advertising Campaign*, Research Report 2, December, 1988.
3) *Market Segments for Montana Snowmobiling*, Research Report 3, January 1989.
4) *Tourism Promotion: A Solution in Hard Times?* Special Issue of Western Wildlands, Summer 1987.
5) *Wilderness Recreation*, Special Issue of Western Wildlands, Fall 1988.

Those interested in the Institute's work should contact the director, Stephen F. McCool, Institute for Tourism and Recreation Research, Science Complex 428, University of Montana, Missoula, MT 59812. □

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Montana's Growing Market Segments

By Larry D. Swanson

Montana's population grew steadily during the 1970s and early 1980s. However, in recent years, the state has experienced considerable outmigration. Little growth and even some decline in population may occur in the coming decade.

Typically, the population of slow-growing regions tends to age more rapidly than in faster growing regions. Much of this outmigration is occurring among younger segments of the population; these are young adults searching for meaningful careers and better jobs. The age composition of the population becomes older in character as these young persons and their young families leave.

At the same time, the biggest "bubble" in population growth in the United States occurred in the two decades following World War II. This "baby boom generation" is now aging, shifting the overall age distribution of the U.S. population in the process. Many baby boomers are also delaying marriage and child-bearing (or skipping these altogether), leading to aging in the U.S. population, irrespective of region.

With aging of the population occurring generally in the United States, a region within it that is simultaneously experiencing significant outmigration can expect fairly dramatic changes in the age composition of its population. This is the case with Montana.

Recent U.S. Bureau of the Census estimates indicate that since 1985 the population in twelve states has declined. Four states have lost more than 2 percent of their populations. Montana is one of these, losing 2.6 percent of its population between 1985 and 1988. Migration of about 40,000 people during the last three years accounts for much of this loss.

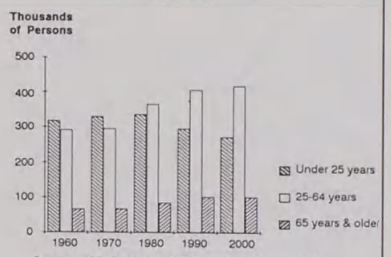
Population Projections

Before discussing population projections for Montana, it must be noted that these types of projections are difficult to make and tend to change almost from one year to the next. However, they provide some guidance on what to expect in the future under current and emerging trends.

According to recent projections by the U.S. Bureau of the Census, the U.S. population is expected to grow from about 246 million in 1988 to 268 million by the year 2000, an increase of about 9 percent. Most recent estimates for Montana place the state's population at about 804,000, down from a high of around 825,000 in 1985. Montana's population is expected to decline slowly over the coming decade, falling to about 794,000 persons by 2000.

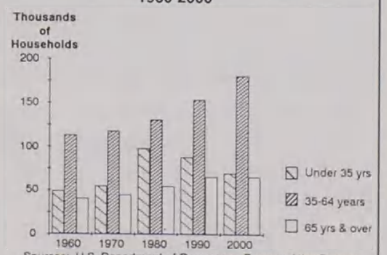
In line with these projections, the median age of Montana's population is expected to surpass that of the nation as a whole,

Figure 1
Population by Age
Montana
1960 - 2000



Sources: U.S. Department of Commerce, Bureau of the Census.

Figure 2
Number of Households, by Age of Householder
Montana
1960-2000



Sources: U.S. Department of Commerce, Bureau of the Census and University of Montana, Bureau of Business and Economic Research.

increasing from 29.0 in 1980 to 33.1 in 1990 and 37.1 in 2000 (compared with 30.0 in 1980 and 36.5 in 2000 for the nation). While the nation as a whole is aging along with the baby boom generation, Montana is aging more rapidly because of its declining population base.

Historically, Montana and the Northern Rocky Mountain region in general have been relatively "young" in terms of the age compositions of their populations. However, under these projections, the state's population will become relatively "old" in relation to that of the nation as a whole.

Growing Segments of the Population

While Montana's overall population is expected to decline, certain segments within it will grow considerably. As shown in table 1, the Census Bureau's population projection for Montana is broken down by age group. In comparing actual population counts in the most recent census, 1980, with projections for 2000, you can see that certain age groups will see dramatic increases.

Montana's middle-age and older population will swell in size while the younger population shrinks. The population thirty-five to forty-four is projected to increase by 45 percent from 1980 to 2000, while the forty-five to fifty-four age group will grow by 58 percent. Combining estimates for these two age groups, the middle-age population between thirty-five and fifty-four will increase from 162,000 persons in 1980 to 245,000 persons in 2000, an increase of over 50 percent.

The number of people between fifty-five and seventy-four will remain roughly the same size between periods. However, the state's population seventy-five and older is projected to grow by 55 percent by 2000, increasing from 33,000 persons in 1980 to 51,000 over the twenty-year period.

In general, Montana's population will increase considerably among most segments of its "adult" population. People twenty-five and older increased from just over half of the total population in 1960 to 57 percent of the population in 1980, and will increase to 66 percent in the year 2000. As the age structure of the population undergoes this shift, so too will spending and trade patterns in the state.

Growing Household Numbers

Households are important not only as places where most members of the population reside and spend

Table 1
Population by Age Group
Montana
1960-2000
(Thousands of Persons)

	Actual			Projected		Percent Change
Age Group	1960	1970	1980	1990	2000	1980-2000
Under 5	83	57	64	60	50	-22%
5-14	144	151	123	127	111	-10%
15-24	91	122	149	109	111	-26%
25-34	81	80	133	133	100	-25%
35-44	86	75	88	129	128	+45%
45-54	73	78	74	81	117	+58%
55-64	52	63	71	64	73	+3%
65-74	43	39	52	58	51	-2%
75 & up	22	30	33	44	51	+55%
Total	675	694	787	805	794	+1%
Median Age						
Montana	27.6	27.1	29.0	33.1	37.1	+28%
U.S.	29.4	27.9	30.0	33.0	36.5	+22%

Sources: U.S. Department of Commerce, Bureau of the Census and University of Montana, Bureau of Business and Economic Research.

Table 2
Number of Households, by Age of Householder
Montana
1960-2000

	Actual			Projected		Percent Change
Age Group (thous.)	1960	1970	1980	1990	2000	1980-2000
Under 35	49	55	98	88	70	-28%
35-65	113	118	131	154	181	+38%
65 & up	41	45	55	66	66	+19%
Total	202	217	284	308	317	+12%
Pop. in Households (thousands)	658	674	767	781	770	0%
Persons Per household	3.25	3.10	2.70	2.61	2.51	-7%

Sources: U.S. Department of Commerce, Bureau of the Census and University of Montana, Bureau of Business and Economic Research.

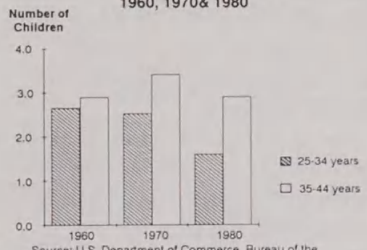
much of their lives, but places where the incomes of individuals accrue and centralized decisions are made on how it may be best spent and invested. As such, the direction and rate of change in household numbers are of greater significance in determining the level of trade and economic activity in a region than simply population change.

At the same time, significant shifts in the age characteristics of the population can greatly affect the rate of change in household numbers. The household incidence rate is a measure of the proportion of a given age group in the population who also are heads of households (or "householders"). This rate is much higher for persons in their mid-twenties than persons in their late teens, and higher yet for persons in their early thirties and older ages. Hence, as the population shifts from younger to older age groups, household numbers will increase accordingly, even with little or no growth in population. Under current population projections, this is likely to occur in Montana.

As shown in table 2, overall household numbers in the state are projected to increase by 12 percent from 1980 to 2000, even with a projected increase in population of only 1 percent. The greatest growth in households will occur among householders between the ages of thirty-five and sixty-three, increasing from 131,000 households in 1980 to 181,000 in 2000 (a 38 percent increase). Among householders sixty-five and older, households will increase by 19 percent, going from 55,000 in 1980 to 66,000 households in 2000. Meanwhile, households headed by persons under thirty-five will decline considerably.

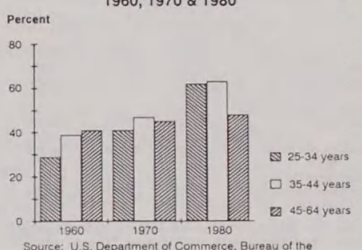
By the year 2000, about 78 percent of all households in the state will be headed by persons over thirty-five, as compared to 66 percent in 1980.

Figure 3
Number of Children per Woman
Montana
1960, 1970& 1980



Source: U.S. Department of Commerce, Bureau of the Census.

Figure 4
Female Labor Force Participation Rates
Montana
1960, 1970 & 1980



Source: U.S. Department of Commerce, Bureau of the Census.

Changing Role of Women in Montana's Economy

Accompanying these changes in the age structure of Montana's population and households, are several other trends. Typical of what is occurring throughout the nation, women are increasingly leaving the home and formally entering the labor force, sometimes because of necessity to make financial ends meet and sometimes because of the growing career or job orientation among women.

At the same time, women are increasingly delaying child-bearing or deciding against it altogether. As illustrated in figure 3, the fertility rate among women is steadily falling. The number of children born among Montana women between twenty-five and thirty-four went from 2.7 children per woman in 1960 to 2.5 children in 1970, before plunging to 1.6 children per woman in 1980. Among women thirty-five to forty-four, the fertility rate dropped from 3.4 children per woman in 1970 to 2.9 in 1980.

As indicated in figure 4, the percent of women entering the state's labor force is steadily rising. The labor force participation rate among women twenty-five to thirty-four went from 29 percent in 1960 to 41 percent in 1970 before jumping to 62 percent in 1980, more than doubling in the twenty-year period. The rate among women thirty-five to forty-four years of age went from 39 percent in 1960 to 63 percent in 1980, an increase in labor force participation of about 62 percent.

Among older women the change has been less dramatic, but the rate is still increasing. For women forty-five to sixty-four, the labor force participation rate increased from 41 percent in 1960 to 48 percent in 1980. Indications are that these trends are continuing.

As a result of these changes, women accounted for about 42 percent of the state's total labor force in 1980 as compared to 29 percent twenty years earlier.

Growing Household Income

Because more women are working, more Montana families have more than one member of the household bringing home a paycheck. The percent of families in the state with more than one person working outside the home increased from 43 percent in 1960 to 57 percent in 1980. The effect of this on the income of the average household is shown in table 3.

The median income of the typical male worker in Montana increased from $17,907 in 1969 to $18,517 in 1979 (both in 1987 dollars), an increase of only 3.4 percent over

Table 3
Median Incomes for Workers and Households
Montana
1969 & 1979

	1987 Dollars		
	1969	1979	Percent Change
Males, 18 or older, with income	$17,907	$18,517	+3.4%
Females, 18 or older, with income	5,513	7,160	+29.9%
Households	21,554	23,435	+8.7%
Household income per household member	6,953	8,680	+24.8%

Sources: U.S. Department of Commerce, Bureau of the Census and University of Montana, Bureau of Business and Economic Research.

the ten-year period. Meanwhile, the median income of the typical female worker went from $5,513 in 1969 to $7,160 in 1979, an increase of nearly 30 percent.

The large difference between male and female median incomes reflects both the concentration of high-paying jobs among male workers and the greater incidence of part-time employment among female workers. The larger increase in the typical female worker's income during the period reflects changes in these trends, with more women getting higher paying jobs and more women working full time rather than part time.

While the median income of the typical male worker in the state was barely keeping ahead of inflation, the inflation-adjusted income of households grew by nearly 9 percent from 1960 to 1979, going from $21,554 to $23,435. This increased "buying power" among households was largely achieved through rising female labor force participation and a steadily increasing median income for female workers.

As this occurred, the number of persons per household was declining as previously mentioned, going from 3.1 persons per household in 1970 to 2.7 persons in 1980. With the number of persons who are dependent upon household income declining as real income per household grows, the buying power of the typical household member is being greatly enhanced (although the needs and consumption patterns of adults whose numbers are increasing are quite different than those of children and teenagers whose numbers are decreasing).

The 9 percent increase in the median income of households between 1969 and 1979 translates into nearly a 25 percent increase for individual household members, with the latter going from $6,953 per household member in 1969 to $8,680 over the ten-year period. With the population aging, persons per household declining, and female labor force participation growing, the buying power of individual household members should continue to grow.

More Educated Population

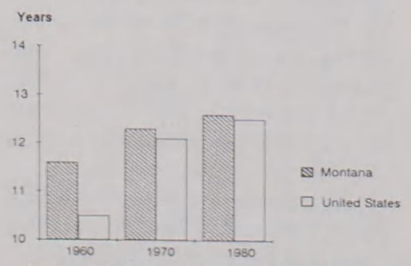
Concurrent with these trends in the age composition of the population, household numbers and size, and female labor force participation, is the long-standing trend in educational attainment. Montana's population has long been a leader in this regard, with the median years of schooling for the state consistently greater than nationally (although the state's edge in this area is diminishing over time).

The level of education being attained by the state's adult population is steadily rising. As indicated in figure 6, the percent of women twenty-five and older with one or more years of college education grew from about 21 percent in 1960 to more than 35 percent in 1980. This increase in educational attainment has been even greater among Montana men. Men twenty-five and older with at least some college education increased from 18 percent in 1960 to nearly 38 percent in 1980.

Hence, as the state's population is becoming an older, more mature population, it is also becoming a more educated population.

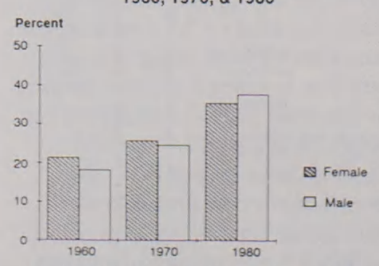
While the overall population will see little or no growth, the state's adult population will grow considerably, particularly among middle-age and older age groups. This provides the impetus for slow, but steady growth in household numbers in the years ahead and a steadily increasing, more mature work force. □

Figure 5
Median Years of Schooling
Montana and the United States
1960, 1970, & 1980



Source: U.S. Department of Commerce, Bureau of the Census.

Figure 6
Persons 25 and Older
With One or More Years of College, By Sex
Montana
1960, 1970, & 1980



Source: U.S. Department of Commerce, Bureau of the Census.

Larry D. Swanson is director of economic analysis, Bureau of Business and Economic Research, University of Montana, and assistant professor of management in UM's School of Business Administration. This article is based on Dr. Swanson's presentation at the fourteenth annual Economic Outlook Seminar.

Foreign Ownership of American Agricultural Land

Is the Problem Real?

By Cliff P. Dobitz
Donald R. Kirby

The so-called problem of foreign ownership of U.S. farmland has stirred controversy among Americans, particularly those employed in agriculture. This perceived problem has stimulated public alarm and prompted proposed congressional and state legislation aimed at restricting or even prohibiting such foreign ownership.

American farmers see this "invasion" as a problem with potential major ramifications. They complain that foreigners are driving up the price of farmland. This price escalation may heighten the entry barrier for young American farmers. Also, many feel that foreign money pouring into the U.S. agricultural sector threatens the sanctity of the family farm (Fry, 1980). In summary, the perceived problem is that foreign ownership of U.S. farmland heightens the overall competition in an economic sector in which individual producers already have little control over the selling price of their output.

Foreign owners of U.S. agricultural land are required by law to report to the U.S. Secretary of Agriculture. This law (AFIDA, 1978) further requires an annual report by the secretary concerning the status of foreign owners. (Parcels of land of not more than ten acres which yield less than $1,000 in gross annual sales are exempt from this law.) Thus, figures compiled annually reveal the total U.S. agricultural acreage that is currently foreign owned.

The controversy over foreign ownership of U.S. agricultural lands warrants a closer look. Our objective is to investigate the following questions: Is foreign ownership of U.S. land a problem, and to what degree? What about Montana? What is the likely future trend? What are the pros and cons for foreigners purchasing American turf?

The National Picture

A closer look at foreign land ownership statistics reveals that only a very small proportion of U.S. agricultural land is foreign owned. At year-end 1987, the foreign direct investment position in agricultural land was 12,534,972 acres (USDA, 1988). This amounts to 0.97 percent of all privately held agricultural land. (Privately held land is total land less public, Indian, transportation, and urban land.) To put these numbers into perspective, combined foreign-owned U.S. farmland acreage would cover an area slightly less than one-fourth the size of Montana.

Who owns this land? European investors held almost two-thirds of the 12.5 million acres owned by foreigners at the end of 1987 (figure 1). British investors held the largest portion with 30.3 percent. Residents of the Netherlands owned 10 percent. Investors from all other European countries combined owned 22.4 percent, while Canadians held 19.9 percent (USDA, 1988). Despite all the publicity aimed at Japanese investment in the U.S. agricultural sector, the Japanese share of the total foreign-owned acres was only 1.2 percent.

The evidence does not support the popular perception that Japan, with its massive trade surplus with

the United States, is a large owner of U.S. farmland. Japan ranks behind nine countries in the number of U.S. agricultural acres owned by foreigners. The evidence also does not support the popular perception that a large percentage of American farmland is foreign owned. In fact, USDA data show that states like Iowa, Indiana, Illinois, and the Dakotas have the lowest proportion of foreign-owned agricultural land.

Table 1

Foreign Ownership of Montana Agricultural Land By County 1987

County	Acres
Beaverhead	479
Big Horn	64,241
Blaine	2,406
Carter	5,996
Cascade	15,659
Chouteau	2,998
Custer	11,325
Dawson	958
Fergus	7,172
Flathead	8,687
Gallatin	11,022
Garfield	320
Glacier	9,737
Granite	546
Hill	961
Jefferson	3,337
Judith Basin	1,850
Lake	31
Lewis and Clark	5,653
Lincoln	40
McCone	1,120
Madison	160
Missoula	25
Musselshell	9,047
Park	647
Phillips	8,194
Powder River	4,282
Powell	6,168
Ravalli	60
Roosevelt	1,420
Rosebud	200,577
Sheridan	880
Silver Bow	657
Stillwater	6,436
Sweet Grass	900
Teton	195
Toole	12,598
Wheatland	26,155
Yellowstone	9,545
TOTAL	442,484

Source: U.S. Department of Agriculture, 1988.

The Montana Situation

How does Montana compare? In 1987, foreigners owned 442,484 acres in Montana (table 1). This amounts to 0.8 percent of the total privately owned land in the state, and represents a slightly smaller proportion than the national figure. Canadians are the dominant foreign owners in Montana, with 166,978 acres (38 percent of the foreign-owned land), followed by the Dutch with 50,906 acres (11.5 percent), and finally West Germans with 19,470 acres (4.4 percent). All other foreigners combined own 205,105 acres (46.4 percent). Pasture, with 342,391 acres, is the major use of foreign-owned Montana land. The second most frequent use is cropland, with 63,701 acres.

Montana counties that have the most foreign-owned cropland acres are Rosebud (11,111 acres), Toole (11,004 acres), Cascade (9,265 acres), and Gallatin (4,600 acres). Foreign ownership of pastureland in Montana is concentrated in Rosebud (188,826 acres), Big Horn (45,558 acres) and Wheatland (24,676 acres) counties.

Advantages and Disadvantages to Foreigners

While the proportion of foreign-owned U.S. agricultural land is small, the total area of over 12.5 million acres is a sizable chunk of land. Why do foreigners choose to invest in our farmland?

By comparison with most foreign countries, the United States is massive in size and the most affluent market in the world. Owners of wealth prefer to invest in capitalistic (private ownership) institutions. Probably the most important comparative advantage in favor of investing in the United States is the stability of America's economic system.

To obtain a sense of perspective, let's compare Japan with Montana. Japan is approximately the size of Montana in terms of total square miles of land area. However, Japan has about 150 times the population compared to Montana. Due to relative population density, land ownership is at a premium in Japan.

A major economic incentive for foreign purchases of U.S. farm, ranch, and timber land, compared to alternative investments, is relative price. Our land is cheap compared to land in Japan or Western Europe. For example, in January 1980, the currency exchange ratio of the Japanese yen per U.S. dollar was 259. In November 1988, this same ratio was 134. One thousand U.S. acres priced at $500,000 in 1980 would have cost a Japanese investor 129.5 million yen. In 1988, these 1,000 acres would have cost only 67 million yen (International Financial Statistics, 1988). This means that the price of U.S. land, in terms of the Japanese yen, decreased 48 percent. Adding severity to these relative price differences has been the price reduction of U.S. farmland. In 1982, the average value of farm and ranchland in Montana was $230 per acre. In 1987, this same acre had $167 of value (USDA Chartbook, 1988). This indicates a 38 percent decline in the purchase price of land in addition to the decline in relative prices due to changes in the currency exchange ratio.

Comparing U.S. and foreign comparative tax burdens shows a

mixed picture. The income and Social Security tax burden borne by the average American worker is about 20 percent of gross earnings. Residents of Denmark, Sweden, and the Netherlands pay about 35 percent. Those in West Germany and the United Kingdom pay about 28 percent. The French, Canadians, and Japanese pay about 12 percent (OECD, 1983). For its relative affluence, U.S. workers appear to have a relatively moderate tax burden.

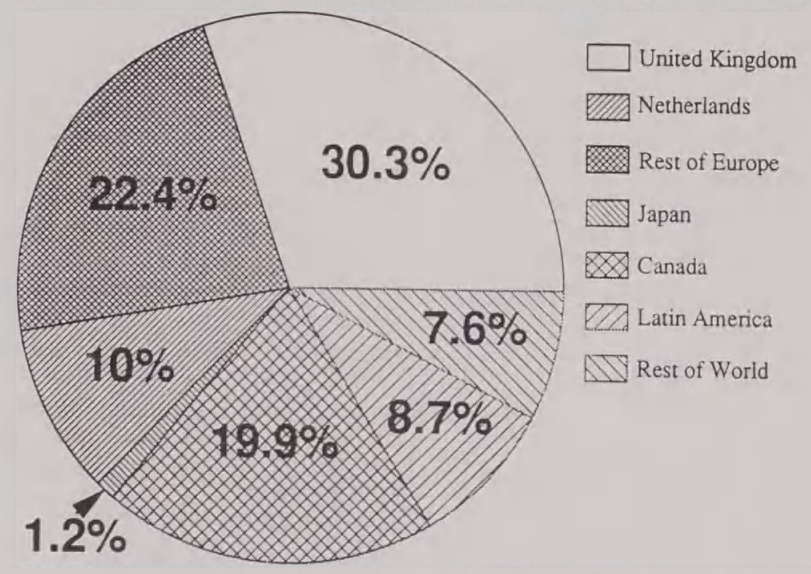
An additional incentive in investing in U.S. farm and ranch operations is that foreign marketers and processors can assure supplies of product that fit American tastes and preferences. Frequently, foreign products differ from U.S. consumers' tastes and preferences.

Intangible benefits may also contribute to foreign purchases of U.S. land (Fry, 1983). Investment in the United States may provide access to our agricultural technology. There have been many technological changes in U.S. agriculture over the past two decades, and foreigners realize U.S. farmers can produce more economically. Finally, some foreign investors may be attracted to land purchases because of perceived prestige and what economists call the "psychic" value derived from being a "capitalist" in the United States.

While there are many advantages for foreigners to own U.S. agricultural land, they are offset by several disadvantages. The small overall proportion of foreign-owned land may indicate that the disadvantages are serious.

Foreign purchase of American farmland might be viewed as a risky investment, with good reason. First of all, data from 1980 through 1988 indicate that U.S. farmland values have declined by over 40 percent (Ronald Reagan, 1989). Conventional wisdom suggesting that farmland maintains relatively stable prices and tends to be a hedge against inflation is no longer appropriate. Expectations for long-run land appreciation in real terms no longer appear warranted for rural land.

Figure 1
Distribution of Foreign Ownership of U.S. Agricultural Lands, 1987



Source: U.S. Department of Agriculture, 1988.

Perhaps the primary economic deterrent to foreign purchases in U.S. farmland is relative profitability. The expectation for profits from farmland investments does not appear to be competitive with alternative investment opportunities available to foreigners. From 1950 to 1969, the average per-year return to farmers' equity was 3.81 percent. The recent agricultural "boom and bust" cycle began in the early 1970s. During that decade, the per-year return to equity was 10.41 percent. For the first half of the 1980s, the average return on farmers' equity was a bleak −7.08 percent (Calomiris et al., 1986). Furthermore, there is no doubt that the last half of the 1980s will also yield a negative return to equity (Ronald Reagan, 1989). If the long-run rate of return to farming is about 5 percent (Luttrell, 1979), why do U.S. farmers continue investing in farmland? Many have suggested that nonmonetary benefits such as a place to live, self employment, lifestyle, and a source of employment offset the relatively low rate of return to U.S. farmers (Boehlje and Eidman, 1984). However, this family-farm, owner-operated explanation does not apply to foreign purchasers of farm real estate.

The U.S. economy has a relatively high degree of government intervention in the agricultural sector. The United States has a tradition of attempting to manipulate, and, frequently, outright fix, market prices for agricultural output. In this way, U.S. taxpayers' income is redistributed to farmers, which encourages farmers to increase output. This, in turn, dampens food prices. In 1987, the direct federal budget costs associated with agricultural programs were about $700 for every nonfarm family in the United States (Owens, 1987).

"The general thrust of the perceived danger is that the United States will somehow lose control of its important basic food source, and thereby lose control of its economic destiny and freedom."

Foreigners may view the American "cheap food" policy as an entry barrier that does not exist in other sectors of the U.S. economy.

Additional disadvantages for foreign investors in U.S. farmland are:

(1) relatively high volatility of farm income, (2) relatively high degree of risk due to farmers' inability to influence market prices, and (3) extreme illiquidity of farm real estate. Potential farmland investors view the "land-rich, money-poor" phenomenon as a disincentive to enter this sector of the U.S. economy.

Conclusions

The U.S. agricultural community frequently expresses concern about foreign ownership of agricultural land. However, these concerns tend to be general rather than specific. This suspicion may simply be fear of the unknown. The general thrust of the perceived danger is that the United States will somehow lose control of its important basic source of food, and thereby lose control of its economic destiny and freedom.

We find no evidence that foreign investment in United States or Montana agricultural land has influenced the economy. Concerns about foreign agricultural land ownership do not have a factual base, either for the nation, the region, or Montana. Furthermore, such foreign investment does not appear to be a problem, nor do we view it as a potential problem. Currently, foreigners own less than 1 percent of available private U.S. farmland and less than 1 percent of private Montana agricultural land. One might conclude that foreigners view the disadvantages of purchasing U.S. agricultural land to more than offset the advantages. Foreigners and U.S. farmers have the same economic incentives to manage their U.S. holdings efficiently and for a profit. Investments in the United States or elsewhere may be more lucrative in areas other than the agricultural sector. Perhaps the second most important disadvantage is the illiquidity and inflexibility that is a consequence from owning farmland.

Finally, if foreigners did use their U.S. holdings in a detrimental way, federal and state legislation could counteract such activity. However, it seems unlikely that foreign investors would be able to, or would even want to, use agricultural land in ways that would be detrimental to the nation or to the agricultural community. □

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